

STRATEGIC CHINA PANDA FUND

A SUB-FUND OF E.I.STURDZA FUNDS PLC. REGISTERED IN IRELAND



EI STURDZA
INVESTMENT FUNDS

DECEMBER 2018 – MONTHLY COMMENTARY BY PORTFOLIO MANAGER LILIAN CO

FUND COMMENTARY

The MSCI China Total Return index resumed its downtrend in December detracting 6.1%, ending the year with an 18.9% slump. The euphoria on the US China trade truce did not last long as the arrest of Huawei's CFO, shortly after the Trump-Xi meeting, rocked the stock market, with the US stock market rout on rate hike concerns adding further pressure to the market. Sector wise, healthcare, insurance, technology, auto and oil related underperformed, while property, Macau gaming and internet gaming stocks outperformed when compared to the benchmark as a whole.

After the meeting between Trump and Xi at the G20 summit, the US and China agreed on a trade truce for a 90-day period ending on 1st March 2019. However, just shortly after the agreement, Meng Wanzhou, the chief financial officer of Huawei was arrested in Vancouver and faced extradition to the US for alleged links to a company that sold equipment to Iran in defiance of sanctions imposed by the US. Investors reacted negatively to this, as it caused uncertainty on the likelihood of a trade deal. Even so, China continued to show goodwill to the US by resuming soybean imports from the US and temporarily lifting the punitive import tariffs on US autos and related parts. On the other hand, Donald Trump cited "big progress" in a phone call he made to Xi recently. After everything that has occurred recently, it seems both sides are genuinely keen to make a deal.

The US Fed raised rates by 25 basis points in December. Although this was expected, the "not dovish enough" tone in Powell's interest rate outlook and the rumour of Trump planning to fire Powell led to panic selling in the market. Domestically, sentiment on the property sector continued to warm as more cities removed sales and price caps. The government also resumed online game licensing after a nine month freeze. The Investment Adviser believes that the policy headwind on online gaming has finally come to an end. Macau gross gaming revenue increased 17% yoy in December, much better than the market consensus of 11%, thanks to the opening of the Hong Kong-Zhuhai-Macau Bridge.

The Fund declined 1.7% during the month, outperforming the benchmark by 4.4%. The Fund's overweight in property and Macau Gaming, which were resilient during the period, added the most value. The Team increased the weighting in Tencent to 7.6% from 2.4% in December as the Investment Adviser saw that the valuation after the sell off was favourable and that the policy headwind on online gaming was fading.

*For detailed performance information based on complete 12-month periods since inception, please refer to page 2.

The views and statements contained herein are those of LBN Advisers Limited in their capacity as Investment Adviser to the Fund as of 10/01/19 and are based on internal research and modeling.

PORTFOLIO MANAGER



LILIAN CO

Lilian Co has more than 20 years' experience investing in Chinese and Asian equities. After a successful fund management career with Baring Asset Management, Lilian now continues her award-winning investment style with E.I. Sturdza Strategic Management Limited and the Strategic China Panda Fund. Lilian is a Chartered Financial Analyst (CFA), and holds a Bachelors of Commerce degree from the University of Alberta (Canada) and an MBA from the University of Nottingham (UK).

FUND OBJECTIVE

The objective of the Fund is to achieve long-term capital appreciation in the value of the assets by investing in China-related securities listed in, but not limited to the Greater China region.

CONTACT

E.I. Sturdza Strategic Management Limited

Telephone +44 1481 722 322

Email info@eisturdza.com

Website eisturdza.com

AWARDS



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PERFORMANCE DATA* (as at the end of December 2018)

CUMULATIVE PERFORMANCE %

	1M	3M	1Y	3Y	5Y	10Y	Fund Inception
USD	-1.71	-6.65	-21.37	25.05	9.01	149.43	179.48
MSCI China NR USD	-6.05	-10.73	-18.88	26.11	25.50	121.19	98.21

CALENDAR YEAR PERFORMANCE %

	YTD 2018	2017	2016	2015	2014	2013	Annualised Inception
USD	-21.37	62.99	-2.43	-1.49	-11.51	31.46	10.56
MSCI China NR USD	-18.88	54.07	0.90	-7.82	7.96	3.64	6.91

*Please note, past performance is not indicative of future returns.

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